

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

16 MARCH 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 7 pages (excluding the cover page) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Yellow Berhad manufactures yogurt drink. Yellow Berhad was incorporated on 1 January 2019 and the functional currency is the Ringgit Malaysia (RM). The financial year end is 31 December each year. Due to financial difficulties, Yellow Berhad applies for borrowing from overseas bank. The application requires Yellow Berhad to prepare financial statements in A Dollar (A\$), the currency of the overseas bank in the country it operates.

The followings are the financial statements prepared in its functional currency (RM) by Yellow Berhad:

Statement of profit or loss for the year ended 31 December

	2020 RM	2019 RM
Revenue	350	400
Cost of sales	(100)	(125)
Gross profit	250	275
Distribution costs	(45)	(40)
Administrative expenses	(40)	(25)
Profit before tax	165	210
Tax expense	(50)	(63)
Profit for the year	<u>115</u>	<u>147</u>

Statement of financial position as at 31 December

	2020 RM	2019 RM
Non-current assets		
Property, plant and equipment	420	435
Inventory	75	125
Trade and other receivable	150	100
Cash	247	100
Total assets	<u>892</u>	<u>760</u>
Current liabilities		
Trade and other payables	80	50
Tax payable	50	63
Total liabilities	<u>130</u>	<u>113</u>
Share capital	500	500
Retained earnings	262	147
	762	647
Total liabilities and equities	<u>892</u>	<u>760</u>

Additional information:

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The following spot currency exchange rates apply:

1 January 2019	RM1: A\$4.00
31 December 2019	RM1: A\$3.90
31 December 2020	RM1: A\$4.20
Average rate for 2019	RM1: A\$4.22
Average rate for 2020	RM1: A\$3.58
Opening inventory was bought 2019	RM1: A\$4.00
Closing inventory was bought 2019	RM1: A\$3.88
Opening inventory was bought 2020	RM1: A\$3.88
Closing inventory was bought 2020	RM1: A\$4.30

Opening net assets on 1 January 2019 is RM500.

Required:

In accordance with MFRS121: *The Effects of Changes in Foreign Exchange Rates*:

- a) Translate Yellow Berhad's 2019 and 2020 financial statements from the company's functional currency (RM) to the company's presentation currency (A\$).
(15 marks)

- b) Prepare the reconciliation of exchange difference for the year 2019 and 2020.
(10 marks)

(Total: 25 marks)

QUESTION 2

PART A

The following data relate to Big Tank Berhad's operating segments:

Operating segment	Sales to external customers (RM)	Inter- segment sales (RM)	Segment assets (RM)
Oil Exploration	40,000	-	156,000
Refinery	120,000	-	360,000
Plastics	10,000	10,000	60,000
Chemicals	110,000	80,000	570,000
Solar Power	10,000	36,000	138,000

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Required:

In compliance with MFRS8: *Operating Segments*:

- a) Identify Big Tank Berhad's reportable segments using the revenue and asset test. (10 marks)
- b) Using your answer in part (a), illustrate an extract of notes to the financial statements. (3 marks)

PART B

Great Life Berhad is a Malaysian listed company, engages in the property business. The business operation covers farming, mining, and retail sectors.

Great Life Berhad just bought a farming and mining business. One such asset is a piece of land that is currently used to farm. The market value of the land for farming is RM10,000,000. If the land is used for farming purpose, a tax credit of RM200,000 shall apply.

Great Life Berhad concluded that market participants would regard the land as an alternative residential usage. The land's fair prices for residential purposes before related expenses are considered RM14,800,000.

To convert the land into residential use, legal costs will be RM400,000. A RM600,000 feasibility study cost and RM200,000 farm building demolition cost will be incurred. In addition, residential approval was not officially granted by the legal authority and as a result, market participants suggested that the fair value of the property, after the above expenses, would be reduced by 20% due to the possibility of not receiving planning permission.

Moreover, Great Life Berhad acquired from the farm the brand name connected with the produce. Great Life Berhad has agreed to discontinue the company, believing it is identical to its current brand. Great Life Berhad decided that if it stops using the brand, the indirect benefits will be RM40,000,000. If it continues to use the brand, the direct benefit is RM34,000,000. Most companies in this industry do not have brands as strong as Great Life Berhad, so the discontinuation will not see any significant benefit.

Being the accountant of the company, you are requested by the directors to advise on how to fair value the land and brand acquired.

Required:

Evaluate the given information to advise the directors on how the land and brand should be measured using the requirements in MFRS 13: *Fair Value Measurement*.

(12 marks)

(Total: 25 marks)

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QUESTION 3

PART A

The Statement of Financial Position of Wolxy Berhad as at 31 December 2020 shows the followings:

	RM
Cash	100,000
Trade Receivable (net)	70,000
Inventory	131,000
Plant (net)	320,000
Equipment (net)	100,000
Development Expenditure	200,000
	921,000
Liabilities and Equity	
Trade Payable	80,000
Provision for warranty claim	10,000
Loan payable	175,000
Government Grant (Deferred Income)	50,000
Deferred Tax Liability (as at 1.1. 2020)	22,000
Share Capital	300,000
Retained Earnings	244,000
Asset Revaluation Reserves	40,000
	921,000

Additional information:

- The taxable profit of the company is RM 135,000 after the adjustment for differences between tax rules and accounting rules. Accounting profit, however, recorded RM 175,000.
- The provision of doubtful debt is RM 5,000 for the year.
- The plant is purchased on 1 January 2020. For accounting purpose, the plant is to be depreciated over 5 years with no residual value. Capital allowance allowed for the plant is 25% per year. This asset is carried at cost model.
- The equipment was acquired for a cost of RM 80,000 on 1 January 2020 for a useful life of four years. Tax laws allow the equipment to be depreciated over the period of four years. This asset is revalued to fair value at 31 December 2020.
- The balance in the development expenditure account represents the product development cost which has been capitalised on 1 January 2020. The cost is to be amortised over a period of 15 years. The cost is income tax claimable when incurred.
- Tax laws allow the actual payment of warranty claim to be claimed as allowable expense. None of the warranty claim has been paid during the year.

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- g.) The non-taxable government grant is to be treated as deferred income and amortise over a period of 6 years.
- h.) Tax rate is 30% for this year and was 32% for last year.

Required:

In accordance with MFRS 112: *Income Taxes*, calculate the amount of deferred tax and tax expenses charged in the financial statement of Wolxy Berhad for the year 2020.

(13 marks)

Part B

Sajo Berhad financial year ends on 31 December yearly. In year 2020, the following transactions took place:

Date	Transaction
25 July 2020	<p>Purchased an instrument for RM 200,000. This instrument is to be categorised in the category of fair value through other comprehensive income (FVOCI).</p> <p>On the date of acquisition, the company determined that the instrument acquired is not credit-impaired.</p>
31 December 2020	<p>Received an income from the investment in the instrument of RM 2,000.</p> <p>The fair value of the instrument is RM 190,000.</p> <p>Upon assessment, Sajo Berhad determined that the credit risk has not been significantly increased and any expected credit losses should be measured at 12 months expected credit loss method. The expected credit loss is RM 6,000.</p>
15 January 2021	The instrument is sold for RM 192,000.

Required:

In accordance with MFRS 9: *Financial Instruments*, prepare the relevant journal entries of the above transactions if the instrument purchased is:

- (a) a debt instrument (6 marks)
- (b) an equity instrument (6 marks)

(Total: 25 marks)

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QUESTION 4

Part A

At the end of 30 June 2020, Axika Berhad defined benefits plan has the following information:

	30 June 2019	30 June 2020
Present value of the obligation	RM 3,000 mil	RM 3,600 mil
Fair value of the plan assets	RM 2,955 mil	RM 3,375 mil
Interest rate	10%	12%

Additional information:

- To improve the benefits to the employees, the company approved the amendment on the plan on 1 October 2019. Based on the information reverted by the actuary, the estimated costs related to the amendment was RM 37.5 million.
- The increase in the present value of the pension benefits earned by the employees over service in the current period was RM 105 million.
- The company has contributed a total of RM 90 million to the plan for the current accounting period.
- A total of RM 67.5 million was paid to the retired employees in the year.

Required:

In accordance with MFRS 119: *Employee Benefits*:

- a) Calculate the net measurement gain or loss that will be included in Axika Berhad's other comprehensive income for the year ended 30 June 2020. (5 marks)
- b) Calculate the net pension asset or liability that will be included in Axika Berhad's Statement of Financial Position as at 30 June 2020. (2 marks)

Part B

Enesco Berhad has the following transactions that took place for the financial year of 2020:

On 1 January 2019, 100 shares options were granted to each of its 150 employees with the condition that the employees must work for the company for another 3 years. It is estimated that 80% would stay with the company for the 3 years. However, due to the poor economic environment, the company has decided to cancel the options on 1 September 2020.

On 31 December 2020, the company acquired a piece of land for RM 8 million. Enesco has arranged with the seller to settle the transaction either by paying cash or in shares. The seller can choose either 4 million shares to be issued in 3 months' time or receive a cash payment in 2 months' time equivalent to the market value of 3.5 million shares.

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Share prices of the company as at:

Date	Share price (RM)
1 January 2019	3.00
31 December 2019	2.80
1 January 2020	2.82
1 September 2020	2.50
31 December 2020	2.10
28 February 2021 (Estimated)	2.20
31 March 2021 (Estimated)	2.80

Required:

In accordance with MFRS 2: *Share-based payment*, show the journal entries of the above transactions as at 31 December 2020. Support your answer with workings. (8 marks)

Part C

Hilx Berhad acquired two cash generating units (CGUs) on 1 January 2020. The details of the two CGUs at the date of acquisition are:

	CGU 1 RM '000	CGU 2 RM '000
Consideration Paid	184,600	58,400
<u>Fair value less costs of disposal:</u>		
Intangible assets	25,000	-
Property, plant and equipment	96,600	37,600
Inventories	33,200	12,800
Trade receivables	9,000	2,600
Held for trading equity investments	16,000	-

As at 31 December 2020, the following information is determined:

a.)

	CCGU 1 (RM)	CGU 2 (RM)
Fair value	179,000,000	45,300,000
Cost to sell	9,000,000	1,000,000
Value in use	168,000,000	46,600,000

- b.) For CGU 2, one of the equipment costing RM 5,000,000 was fully damaged and was to be scrapped.

Required:

In accordance with MFRS 136: *Impairment of Assets*, determine the carrying value of the CGUs as at 31 December 2020. (10 marks)

(Total: 25 marks)

End of Paper.